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SUBJECT: GABON'S REVISED BUDGET MIRRORS IMF GUIDANCE

REF: A. LIBREVILLE 446

¶1. (SBU) Summary: The Gabonese legislature is expected to act shortly to approve the state's revised budget. The Minister of Finance described the new budget as addressing the IMF's concerns (reftel) and said it was a critical step for securing a three year program with the Fund. The IMF representative in Gabon says the budget looks good on paper, but the key will be the GoG's ability to execute it. End Summary

¶2. (U) On July 12, 2006, the Council of Ministers approved and forwarded to the National Assembly the state's revised 2006 budget, which includes revenues and spending of about CFA 1,629.9 billion, or about \$3.1 billion. Sixty-five percent of revenues are from the oil sector and 35% from non-oil activities. About 41% of expenditure is dedicated to operating expenses, 12% is for investment, 7% is interest on the national debt, and 31% is dedicated to repaying principal on Gabon's debt. The remaining 8% includes loans and advances. Of particular interest to the IMF is the fact that this budget includes CFA 110 billion (about \$212 million) in subsidies for petroleum products. Price controls at the refinery have created an implicit subsidy, but it has never before appeared explicitly in the GoG's budget. The Finance Minister explained the budget's objectives as decreasing the non-oil deficit, improving the management of public finances, and accelerating structural reform to improve the business climate.

¶3. (SBU) Although the budget increases expenditures sharply above the level in the budget presented at the beginning of the year, all parties knew the initial budget was a placeholder with unrealistically low spending and revenue projections. According to IMF Resident Representative, Richard Randiamaholy, this revised budget is fully consistent with IMF priorities. The key, however, will be how the revised budget is implemented.

WALKLEY